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US Commodity Stabilization Service
Livestock and Dairy Division
Annual Report for Fiscal Year 1955

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DAIRY PRODUCTS

1954/55

Milk production in the fiscal year 1955 totaled 123.2 billion pounds, slightly less than the previous year. There were 1 percent less cows on hand on January 1, 1955 than the previous year. Production per cow was at a record level, continuing the long upward trend.

Price support - The Agricultural Act of 1949, as amended, requires the support of prices to producers for milk and butterfat at such level from 75 to 90 percent of parity as is necessary to assure an adequate supply. The Act provides that the support be carried out by loans on, or purchases of milk and the products of milk and butterfat.

Support activities during the fiscal year included operations from July to March under the program of the 1954-55 marketing year and from April to June under the 1955-56 program. The announced support prices to producers for milk and butterfat were the same for both programs - \$3.15 a hundred pounds for manufacturing milk of yearly average butterfat content (3.95 percent) and 56.2 cents a pound for butterfat in farm-separated cream.

The support prices represented 75 percent of the parity equivalent price of manufacturing milk and 75 percent of parity for butterfat as of the beginning of the 1954-55 marketing year.

These same prices represented 80 percent of the revised parity equivalent price for manufacturing milk and 76 percent of parity for butterfat as of the beginning of the 1955-56 marketing year. The change in the parity

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level of support was due to the changes in the base period prices and the change in the ratio used to compute the parity equivalent for manufacturing milk.

The program was carried out by market purchases of butter, Cheddar cheese, and nonfat dry milk solids at prices designed to result in national average prices for manufacturing milk and butterfat equal to the support prices.

The CCC purchase prices of butter, Cheddar cheese, and nonfat dry milk solids during the fiscal year are shown in table 1. The purchase price of butter at any point other than at the designated markets was the price at the designated market named by the seller less 80 percent of the lowest published domestic railroad carlot freight rate per pound gross weight from the offer point to the designated market. As under the previous program, the purchase price differentials based on less than the freight rates were used to encourage storage in or near the major producing area in order to facilitate subsequent distribution to outlets that developed.

Encouraged by continued high consumer incomes, increased promotional activity by the industry, and the drop in the dairy price support level on April 1, 1954, U. S. civilians consumed more milk and its products than in the previous fiscal year. This resulted in a smaller milk surplus and reduced CCC purchases of dairy products. CCC purchased 175 million pounds of butter, 135 million pounds of cheese, and 583 million pounds of nonfat dry milk solids during the year. These quantities were equivalent to 4.8 billion pounds of milk, or about $4\frac{1}{2}$ percent of the total farm marketings of milk and its products, compared with 11.6 billion pounds milk equivalent, or about 11 percent of total farm marketings purchased a year earlier.

the first time in the history of the world, the whole of the human race has been gathered together in one place.

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Table I

CCC purchase prices for dairy products
at specified locations under the milk
and butterfat price support program,
fiscal year ending June 30, 1955

| Commodity | Market | Price |
|--|---------------|-------|
| Cents per pound | | |
| Butter, U. S. Grade A or higher 1/ | Chicago | 57.50 |
| | New York | 58.25 |
| | San Francisco | 57.50 |
| | Seattle | 57.50 |
| Butter, U. S. Grade B 1/ | Chicago | 55.50 |
| | New York | 56.25 |
| | San Francisco | 55.50 |
| | Seattle | 55.50 |
| Cheddar cheese, U.S. Grade A or higher | United States | 33.25 |
| Nonfat Dry Milk Solids U. S. Extra Grade Spray Process | United States | 16.00 |
| Roller Process | United States | 14.25 |

1/ The purchase price of butter at any other location was the price at the designated market named by the seller less 30 percent of the lowest published domestic railroad carlot freight rate per pound gross weight from the offer point to the designated market.

Prices to farmers for manufacturing milk and butterfat were close to support levels throughout most of the year. Prices rose moderately in the fall when relatively small quantities of butter, Cheddar cheese, and nonfat dry milk were sold back into trade channels.

Utilization - Uncommitted stocks owned by CCC were reduced by the equivalent of nearly 7 billion pounds of milk during the year as utilization was greater than purchases. The greatly increased rate of utilization of CCC stocks of dairy products was made possible largely by new legislation which permits CCC to bear the cost of processing, packaging, and domestic transportation of dairy products donated for domestic and foreign school lunch and welfare uses and authorizes CCC to donate dairy products to the military services and to Veterans Administration hospitals for use in addition to their normal purchases. Such donations represented the major outlet for CCC stocks.

The utilization by type of outlet of CCC's stocks of dairy products during the fiscal year is set forth in table 2.

CCC stocks of dairy products continued to be offered for sale to the domestic market at prices moderately above its current buying prices so that these supplies could be consumed in commercial outlets to the fullest possible extent without interfering with the operation of the price support program. Moderate quantities of butter and cheese and relatively small quantities of nonfat dry milk solids were sold back to the trade under these conditions during the year.

Table 2

Production of various kinds of dairy products
for commercial, noncommercial, general, export
and dairy June 30, 1947

| Category | Creamery Butter | Cheddar Cheese | Nonfat Dry Milk Solids |
|---|-----------------|----------------|------------------------|
| MILLION POUNDS | | | |
| <u>Commercial Sales</u> | | | |
| Domestic | | | |
| Unrestricted use | 13.8 | 50.6 | 4.4 |
| Restricted use | 2.0 | — | — |
| Animal Food | — | — | 140.9 |
| Export | | | |
| Unrestricted use | 3.0 | .6 | 7.8 |
| Restricted use | — | — | — |
| For foreign currency (Title I Public Law 480) | 0.6 | — | — |
| <u>Noncommercial Export Sales</u> | | | |
| Transfers to FMA | | | |
| (Title II Public Law 480) | 4.2 | .1 | 12.2 |
| Transfers to U.S. Army and Veterans Administration | | | |
| Sales | 16.8 | 1.0 | 2 |
| Donations (Public Law 690) | 30.6 | 1.6 | 1 |
| <u>Donations under Sec. 416</u> | | | |
| Domestic | 197.8 | 186.7 | 183.6 |
| Export | 187.2 | 118.6 | 347.3 |
| <u>Total Utilization</u> | 444.6 | 380.6 | 741.1 |

1/ Represents quantities committed to programs.

From July 1 to August 31 a large quantity of nonfat dry milk solids was sold at reduced prices for use in animal and poultry mixed feeds as a means of decreasing CCC's large stocks of this product and to supplement the short supply of protein feeds which resulted from the small 1953 soybean crop. This completed the limited program which was started in early May, 1954. These sales were made on condition that the nonfat dry milk will be incorporated in mixed feeds before November 1, 1954, and used without displacing milk solids normally used for animal feed. Market prices of dry skim milk for animal feed increased during the last half of 1954. In January 1955 CCC stocks of nonfat dry milk solids were offered for sale for unrestricted use as animal and poultry feed at prices that would not depress prices of commercial supplies of milk solids for such use. Nearly three million pounds were sold for this purpose during the remainder of the fiscal year.

Domestic sales of butter at reduced prices for restricted use as an extender of cocoa butter in the manufacture of chocolate products were continued.

Butter continued to be sold at reduced prices for the restricted use of recombining with U. S. produced nonfat dry milk solids into fluid milk in order to develop markets for this product in certain undeveloped foreign areas. CCC also sold some butter for use in the manufacture of evaporated milk in foreign markets.

Dairy products continued to be offered to private exporters at announced prices in line with world market prices and during the last half of the fiscal year 10 million pounds of butter and 10 million pounds of nonfat dry milk were offered for sale on competitive bids for commercial export.

Some dairy products were transferred to the Foreign Operations Administration for welfare uses abroad under Title II of Public Law 480, 83rd Congress. Also some butter was contracted for sale for foreign currency under Title I of Public Law 480 near the close of the year.

Donations for domestic and foreign use under Sec. 416 of the Agricultural Act of 1949 as amended were greatly expanded over the previous fiscal year. These uses took large percentages of the total supplies utilized during the fiscal year.

Dairy products continued to be sold at less than cost to foreign governments and the United Nations International Children's Fund for welfare feeding programs.

Butter continued to be sold at reduced prices to the military agencies and Veterans Administration hospitals for use by them in addition to their normal market purchases during the early part of the fiscal year. Following enactment of the Agricultural Act of 1954, dairy products were donated to them for such increased use. Also dairy products were sold to the military agencies at the announced CCC export sales prices to supply their normal overseas needs.

✓ Military and Veterans Administration special milk program

CCC entered into agreements with the military services and the Veterans Administration for increasing the consumption of fluid milk by military personnel and patients in Veterans Administration hospitals under new legislative authority provided in the Agricultural Act of 1954, permitting the purchase of fluid milk for price support. CCC paid part of the cost of the increased milk consumption at a rate of \$4.10 per hundred-weight which was the approximate cost of purchasing, handling and storing butter and nonfat dry milk produced from 100 pounds of milk. The program helped to reduce CCC purchases of dairy products by diverting milk from manufactured dairy products to fluid milk use.

From November 1954 through June 1955, the military agencies increased their use of milk 103,962,000 pounds, or about 40 percent, as a result of the program. CCC paid to them \$4,262,221 of the cost of such milk. From March through June 1955, Veterans Administration hospital patients increased their consumption of milk by 1,187,000 pounds. CCC paid \$38,579 of the cost.

Whey Program

In 1954 CCC offered temporary non-recourse loans on whey products and dry buttermilk to offset possible loss of commercial markets for these products that might result from the CCC sales of nonfat dry milk solids for restricted use in animal and poultry mixed feeds. No dry buttermilk was placed under loan. Loans totalling \$3,967,904 were made on 66,023,405 pounds of milk solids. Loans on 1,712,919 pounds of milk solids totalling \$102,775 were paid off. CCC acquired 66,027,526 pounds of dry whey, 1,054,100 pounds of dry whey products and 1,023,412 pounds of condensed whey in barrels and drums upon maturity of loans. All of these products were contracted for sale during the fiscal year for commercial export.

Lend-Lease Plants

The United States Government had at the beginning of the 1955 fiscal year, four milk drying facilities which were purchased in 1945 with lend-lease funds provided under "An Act to Promote the Defense of the United States" approved March 11, 1944. These facilities were established by farmer cooperative associations, purchased at cost by the government, and then leased to the cooperatives for operation, as part of the war-time program to increase the food supply. Two of these facilities, consisting of land, buildings, easements, machinery and equipment for receiving and processing milk into dairy products, were taken over by the cooperatives under the title reversionary provisions of the warranty deeds and bills of sale. The two remaining facilities continued in operation at the end of the fiscal year under leases scheduled to terminate on July 31, 1955.

WOOL AND MOHAIR

The price received for domestic wool by producers required price support operation for wool during the fiscal year, while the price received for mohair made it unnecessary to carry on price support operations for this commodity. An erratic demand and declining prices for wool resulted in a larger proportion of the 1954 production coming under price support loan than was the case in the previous year's production. Also, the acquisition of wool under the 1954 program was somewhat greater than under the previous program. About 19 percent of the 1954 shorn wool production was acquired by CCC compared with about 14 percent of the 1953 production. CCC acquired less than 3 percent of the 1954 production of pulled wool. Because of the high unit value of pulled wool, the total value of acquisitions of wool under the 1954 program was about the same as the value under the 1953 program despite the somewhat smaller quantity in 1954.

Wool

The consumption of apparel wool by United States mills during 1954 was 25 percent less than during 1953. This factor combined with a decline in open market prices caused most producers to not redeem the wools that they placed under loans, especially after September 1954. The decline in market prices for domestic wools followed the lower price levels at the opening of the auction seasons in British Dominion markets early in September 1954, and subsequent declines in prices permitted foreign wools to be in even sharper competition with domestic wools in the United States market.

Under the program for the marketing year beginning April 1, 1954, and ending March 31, 1955, the price of wool was supported at 90 percent of the April 1, 1954, parity price of 59.1 cents, or 53.1 cents per pound, grease basis. Both shorn and pulled wool was supported through loans to producers. Recourse loans totaling about 16 million dollars were advanced on 38 million pounds of shorn wool. Loans of about 3.9 million dollars, secured by 9 million pounds of wool, were repaid and the balance of the loans were converted to non-recourse loans. Non-recourse loans were made on 52.6 pounds of wool valued at 30.3 million dollars. Loans were repaid on 7.2 million pounds of wool valued at about 4.3 million dollars. About 45.1 million pounds of shorn and pulled wool, valued at approximately 26 million dollars, were acquired by CCC under the 1954 program.

Under the new support program for shorn wool authorized by the National Wool Act of 1954 for marketings beginning April 1, 1955, the price of wool is being supported through incentive payments to bring the average price for wool received by producers up to the announced incentive level of 62 cents per pound, which is approximately 106 percent of the parity price as of September 15, 1954. The incentive level of 62 cents is designed to encourage a larger domestic production of shorn wool in accordance with the objective of the National Wool Act of 1954. Pulled wool is being supported by payments to producers for lambs and yearlings moved to slaughter with the wool on. The purpose of payments on lambs and yearlings sold for slaughter is to maintain normal marketing practices so as to avoid unusual shearing of the live animals before sale for slaughter in order to get the incentive payment on the wool.

Mohair

Price support operations for mohair were unnecessary during the 1954 marketing year as demand for this commodity was fairly steady and market prices during most of the year were above the announced support level.

Support for mohair for the 1955 marketing year is being provided by payments, as authorized, under the National Wool Act of 1954. The announced level of support for mohair for the 1955 marketing year which began April 1, 1955, and will end March 31, 1956, is 70 cents per pound, or about 91 percent of the parity price as of September 15, 1954.

Disposal of Wool

The wool owned by CCC was offered for sale to the commercial market throughout the fiscal year. Selling prices for the disposal of CCC-owned wools were established at levels that would not interfere with the commercial marketing by producers of the current season's production of wool and thus force more wool under the loan program. Due to decline in market prices for domestic wools after September 1954 only approximately 10 million pounds of wool owned by CCC were sold in the commercial market during the fiscal year.

On May 5, 1955, the Department announced that the prevailing minimum selling prices for CCC-owned wools (103 percent of 1954 loan rates plus selling commissions) would be continued until November 1, 1955, when a new sales policy, designed to move wool out of CCC stocks in an orderly manner over a period of time will be put into effect. This extension of the

previous sales policy was made because of the low prices being offered producers for the 1955 wools during the transition from a market supported by minimum loan rates by grades and classes to a free market basis in order not to unduly depress prices received by producers for wool and to increase payments under the incentive program.

Legislation was proposed to authorize the Department of Defense to increase the reserve of wool items for the use of all the Armed Services over the reserves already authorized. The proposed legislation would have required the Department of Defense to purchase wool from the inventory of CCC to the extent the wool is suitable for wool items used by the Armed Services to build up the proposed reserve. The increase in reserves proposed would have taken most of the wool in the CCC inventory.

Negotiations were carried on with representatives of the Turkish Government for the exchange of CCC-owned wool for Turkish chrome and manganese ore under the authority of Public Law 480. Approximately 15 million dollars worth of wool (enough to take about 20 million pounds of wool out of the CCC inventory) is involved in the negotiations. At the end of the fiscal year, work was progressing on the details of an agreement in preparation for the execution of a satisfactory contract.

The wool research project involving commercial processing of approximately 600,000 pounds of CCC-owned grease wool into top, entered into jointly by the Agricultural Marketing Service, and the Commodity Stabilization Service in the previous fiscal year, was virtually completed. Of the 234,406 pounds of wool top and 40,000 pounds of noils and wastes produced, CCC sold 100,214 pounds of the tops and the entire production of noils and wastes

at market prices during the fiscal year. Analysis of laboratory and statistical data is being completed by the Agricultural Marketing Service. Upon the basis of preliminary analysis, it is indicated that (1) laboratory determinations of yields of clean wool is more accurate than visual determinations; (2) a close correlation exists between the measured fineness of grease wool and the resultant processed top; and (3) measurement of grease wool on an unstretched basis more nearly represents the average fiber length of the top than do measurements made on a stretched basis.

LIVESTOCK AND POULTRY

No price support programs were in effect on livestock or poultry products during the fiscal year. However, approximately 11.8 million pounds of beef and beef products were purchased in connection with foreign aid programs. These consisted of 5.8 million pounds of frozen carcass beef for export to Greece at an average delivered to port price of \$0.2585 per pound and 6.0 million pounds of canned beef and gravy for use by CARE and other relief and welfare agencies for shipment to Europe and Asia at an average delivered to port price of \$0.3760 per pound.

